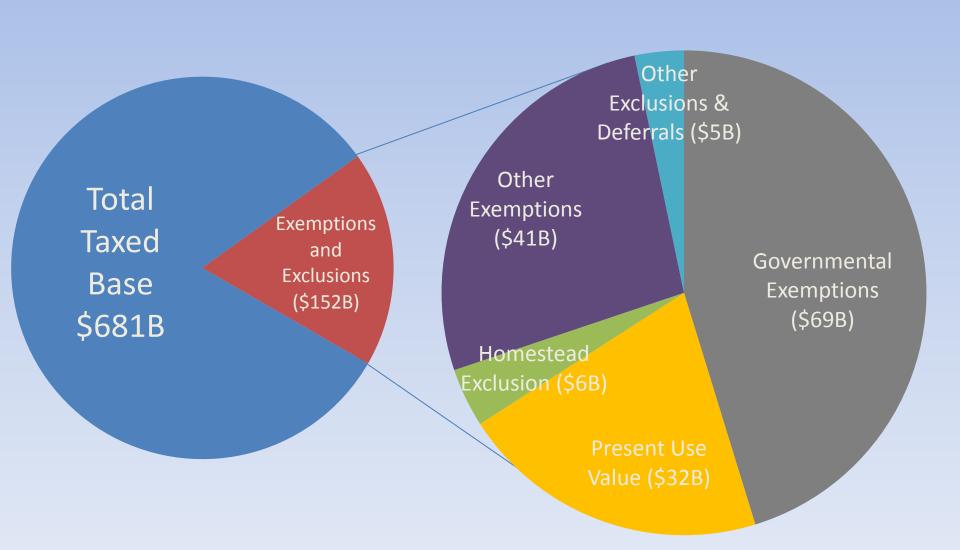
North Carolina Property Tax Relief

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North Carolina Property Tax Base



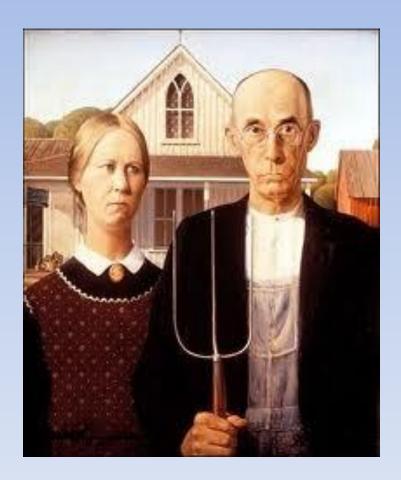
Property Tax Relief

Type of Relief:

- Exemptions: property is exempted from taxation. N.C.
 Const., Art. V, Sec. 2(3).
- Exclusions: some or all of the value of property is excluded from the tax base. N.C. Const. Art., V, Sec. 2(2).
- Deferrals: where some or all of the property tax liability is deferred and carried forward as a tax lien until an event triggers extinguishment of the lien or disqualification for the program, resulting in the deferred taxes for the current year and previous years becoming payable with interest. N.C. Const., Art. V, Sec. 2(2).

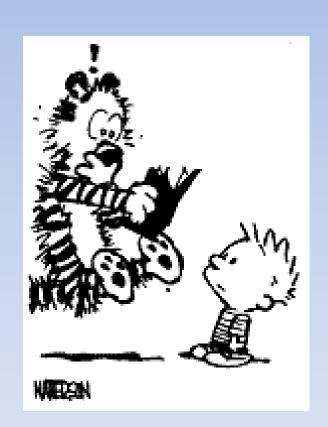
Property Tax Homestead Exclusion - G.S. 105-277.1

- Benefit: Exclusion from taxation of the greater of \$25,000 or 50% of the appraised value of a qualifying owner's residence
- Ownership requirement:* A
 qualifying owner is (1) at least 65
 y/o or totally and permanently
 disabled, (2) has an income of no
 more than the eligibility limit,**
 and (3) is a NC resident
- Use requirement: owned and occupied as a permanent residence***



Property Tax Homestead Circuit Breaker – G.S. 105-277.1B

- Benefit: Deferral of property tax liability on a qualifying owner's permanent residence of tax exceeding 4% of their income if owner's income is equal to or less than the I.E.L. and of tax exceeding 5% of their income if their income is greater than the I.E.L. but not more than 150% of the I.E.L.
- Ownership requirement:* A qualifying owner who (1) is a NC resident, (2) has an income of not more than 150% of the I.E.L., (3) is at least 65 or is totally and permanently disabled & (4) has owned and occupied the property as a permanent residence for at least 5 years.
- Use requirement: owned and occupied as a permanent residence**



Disabled Veteran Homestead Exclusion G.S. 105-277.1C

- Benefit: Exclusion from taxation of \$45,000 of value of a qualifying owner's permanent residence.
- Ownership requirement:* A qualifying owner is (1) a
 disabled veteran of any branch of the Armed Forces or
 the surviving spouse of such veteran who has not
 remarried if the veteran (2) was separated under
 honorable conditions and (3) received federal benefits
 for home modification for service-connected disability
 or was federally certified as having or dying from a
 service-connected, permanent, and total disability.
- Use requirement: owned and occupied as a permanent residence**

Present Use Value – G.S. 105-277.2-.7

- Benefit: Deferral of the difference between market value and the value of the land in its current use if it meets use requirement.
- Ownership requirement: land must be individually owned for previous 4+ years*
 - Individual landowners
 - A trust created by an individual owner for the land to benefit the owner or his relative/s
 - Certain family-owned businesses**
- Use requirement: agricultural, horticultural, or forest lands
- Additional requirement:
 - Classification-dependent income and acreage requirements
 - Sound management program

Qualifying PUV Uses: Agricultural Land

Agricultural land is land that is part of a farm unit actively engaged in the commercial production or growing of crops, plants, or animals under a sound management program.

- Acreage/income requirement: at least one tract in a farm unit must consist of 10+ acres and must have produced an average gross income of \$1,000+ for the preceding 3 years.
- Exception: Farms for aquatic species consisting of 5+ acres in actual production or producing at least 20,000 pounds for commercial sale (regardless of acreage) qualify for PUV if income and ownership requirements are met.



Qualifying Uses: Horticultural Land

Horticultural Land is land that is part of a horticultural unit actively engaged in the commercial production or growing of fruits, vegetables, or nursery or floral products under a sound management program.

- Acreage/income requirement: at least one tract in a horticultural unit must consist of 5+ acres and must have produced an average gross income of \$1,000+ for the preceding 3 years.
- Income exception: Christmas tree farms, due to the years required for trees to mature, have gross income requirements for the years before harvest and a separate requirement for the year of harvest.



Qualifying Uses: Forestland

Forestland is land that is part of a forest actively engaged in the commercial growing of trees under a sound management program.

- Acreage requirement: at least one tract must consist of 20+ acres and not be included in a farm unit
- Income requirement: None



Wildlife Conservation G.S. 105-277.15

- Benefit: Deferral of the difference between market value and the value of agricultural PUV land if used for wildlife conservation*
- Ownership requirement: Land must be owned by an individual, family business entity, or family trust for previous 5+ years**
- Use requirement: Land must be managed under a written wildlife habitat conservation agreement to either (i) protect an indigenous, North Carolina protected-animal-list species or (ii) conserve a priority wildlife habitat*** and must have been classified as PUV land at time agreement was signed, except where owner demonstrates land was used for a purpose specified in the agreement for previous 3+ years
- Other requirements:
 - Size requirement: Land must consist of at least 20 contiguous acres (but not more than 100 acres per county)
 - Income requirement: None

Working Waterfront G.S. 105-277.14

- Benefit: Deferral of the difference between market value and the value of the land in its current use.
- Ownership requirement: None
- Use requirement: Land consists of:
 - A pier that extends into coastal fishing waters and is accessible only by those paying a fee.
 - Real property adjacent to coastal fishing waters and primarily used for a commercial fishing operation or fish processing.
- Other requirements:
 - Income requirement: average gross income of \$1,000+ for previous 3+ years
 - Size requirement: None



Public Interest Exemptions – G.S. 105-278.3 - .6, -278.7, -278.8

- Benefit: Exemption for property used for public interest purposes
- Use requirement: Property is exclusively used* for religious, educational, scientific, literary, or charitable purposes**
- Ownership requirement:
 - Religious purposes: local unit of a church or religious body ***
 - Educational purposes: educational institution or nonprofit for sole benefit of a community college or UNC institution***
 - Religious and educational purposes: religious educational assemblies, retreats or similar organization
 - Charitable purposes: YMCA (or similar organization); home for aged, sick, or infirm; orphanages; SPCA; correctional institutions; monastery/convent/nunnery; rescue squad/ first-aid organizations; nonprofits for providing low/moderate-income housing
 - Educational/scientific/literary/charitable: charitable/historical/scientific/literary/benevolent associations or institutions, nonprofit community or neighborhood association, veterans' organization or association ***
 - Charitable hospital purposes: hospitals organized and operated as nonstock, nonprofit, charitable institutions with humane and philanthropic objective

Market-Restricted Property G.S. 105-277.16 & -.17

- Benefit: Limitation of valuation of low-income housing property* or community land trust property** based on enforceable rent or resale terms that require rental rates or sale prices below market value
- Use requirement: low-income rental or home properties
- Ownership requirement: None

Future Use Deferrals G.S. 105-275(29a) & G.S. 105-278.6(e)

- Benefit: Deferral of property tax liability for up to five (historic) or 10 (housing) years for certain future-use properties. If future use occurs in that time period, tax lien is extinguished.
- Ownership requirement:
 - Nonprofit organized for historic preservation purposes
 - Nonprofit organized for providing housing to low/moderate-income families
- Use requirement:
 - Historic district property held for future site for an historic structure to be moved to the site
 - Real property held for use as a future site for housing for low/moderate-income families

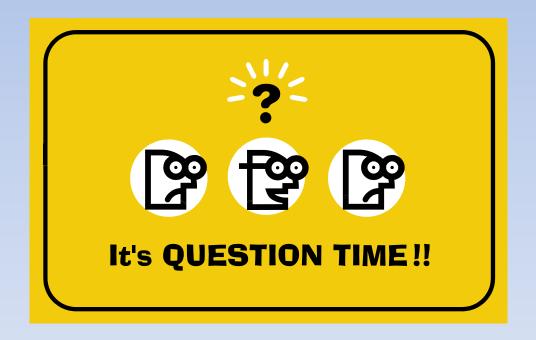


Everything Else

- There are over 50 other exclusions from property tax that can be broadly grouped for business/commerce purposes, environmental purposes, and other entityspecific or policy-specific purposes.
- Most have been passed for a highly focused policy objectives and need little legislative attention after enactment.



Questions



Appendix

Business/Commerce

- Personal property imported from a foreign country through and stored at a NC port awaiting further shipment (limited to first 12 months). [To encourage use of State ports.] (2)
- Special nuclear fuels, excluding source materials, held by manufacturer or processor of the materials for manufacture, processing, or delivery, but not for use of materials as fuel. (6)
- Motor vehicle chassis belonging to a nonresident temporarily in NC for having a body mounted.
 (14)
- Tangible personal property produced in the US and held for export in a Foreign Trade Zone. (23)
- Cargo containers and container chassis used for the transportation of cargo by vessels in ocean commerce. (24)
- Aircraft owned or leased by an interstate North Carolina air courier with a hub in NC to which the aircraft is apportioned. (24a)
- Tangible personal property of a nonresident shipped into NC for repair, alteration, or maintenance and return to the owner. (25)
- Tangible personal property manufactured by a NC manufacturer and held for the account of a nonresident customer. Effective for the tax year immediately following transfer of title to the goods from the manufacturer to the buyer. (26)
- Inventories owned by contractors, by manufacturers, or by retail and wholesale merchants. (32a-34)
- Precious metals held for use directly in manufacturing and processing is assessed at lower of true value or manufacturer's cost less depreciation. (105-277.10)

Environmental

- Cotton dust emission control equipment used in a textile plant in accordance with OSHA (except chillers and cooling towers). (8)
- Property exclusively used or to be used for air cleaning or waste disposal or ameliorate air/water pollution, if certified by the EMC or a local air pollution control program. (8)
- Waste lagoons and facilities owned by public or private utilities providing sewer service to predominately residential areas outside of territories with sewer service(8)
- Property used or to be used exclusively for recycling or resource recovering of or from solid waste, if certified by the Department of Human Resources. (8)
- Property located at or near (if in same county) a plant meeting certain recycling, investment, and job creation requirements. (8)
- Standing timber, pulpwood, seedlings, saplings, and other forest growth. [To encourage proper forest management practices and forest resources.] (15)
- Improvements to property subject to a brownfields agreement with DENR excludes a portion of assessed value in decreasing amounts for five years (90%, 75%, 50%, 30%, 10%). (105-277.13)
- Buildings equipped with solar energy heating or cooling systems must be appraised as if they had conventional systems. (105-277(g))
- 80% of the appraised value of solar energy equipment. (45)
- Taxes on wildlife conservation land may be deferred if (1) the land is owned by a nonprofit organized to receive and administer lands for conservation purposes, (2) is exclusively held and used for listed, conservation purposes, and (3) produces no income or produces income incidental to and not inconsistent with its conservation purpose. Disqualification, requiring payment of the current year plus 5 previous years, occurs if the income or use requirements are not met or if the land is transferred without a perpetual conservation easement or to an entity other than a governmental entity for conservation purposes. (29)

Nonprofit/Charitable

- Property owned by a nonprofit water or nonprofit sewer association or corporation. (3)
- Property owned and operated by nonprofits and used exclusively for public parks and drives. (7)
- Property belonging to Goodwill Industries and other charitable organizations organized for training and rehabilitation of disabled persons. (20)
- Real property owned by a nonprofit organized for historic preservation purposes and exclusively held and used for nonprofit historic preservation purposes or for sale under a recorded historic preservation agreement. (29)
- Property owned by a licensed requirement facility designed for elderly residence with independent-living units and a skill nursing facility or adult care facility are exempt based on percentage of charity care for residents. (105-278.6A)
- Nonprofit, charitable hospital property in proportion to the services charitably rendered. (105-278.8)

Recipient-based, Historical, Farm

(G.S. 105-275 (unless otherwise indicated))

Recipient-based:

- Vehicles owned by veterans and given by the US government for disabilities resulting from WWII, the Korean Conflict, or the Vietnam War. (5)
- Vehicles owned by disabled veterans altered with special equipment to accommodate a service-connected disability. (5a)
- Property and adjacent real property necessary for the convenient, normal use of the building, if used exclusively for meeting or ledge purposes (incidental uses permitted, notwithstanding) by veterans organizations, masonic orders, and fraternal and civic orders. (17-19)
- Art owned by the North Carolina State Art Society, Inc. (41)

Historical:

- Real property designated by local ordinance as a historic structure, site, or landmark is assessed at 50% of appraised value with the difference carried forward as deferred taxes until it loses eligibility. (105-278)
- Airplanes registered with the FAA, model year 1954 or older, used for public interest functions and not for business/to produce income are limited to a value of the lower of true value or \$5,000. (105-277.12)
- Automobiles registered, having a historic vehicle special license plate, used for public interest functions and not for business/to produce income are limited to a value of the lower of true value or \$500. (105-330.9)

• Farm:

- Poultry, livestock, and fed used in production of poultry and livestock.(37)
- Farm products other than poultry and livestock held by or for a cooperative stabilization or marketing entity that are delivered or assigned by the original producer for purposes of sale are assessed at appraised value minus any unpaid loan or advance made by the US government or by the cooperative stabilization/marketing entity. (105-277.01)
- Fertilizer held by a person or corporation, purchased on credit, and for use in agriculture during the current year. (105-277(d))

Miscellaneous

- Real property set apart for burial purposes. (105-278.2)
- Property of a nonprofit homeowners association is allocated to the property owners enjoying the beneficial use of the property. (105-277.8)
- Non-subdivided property located in a transportation corridor is assessed at a portion of its appraised value, depending on whether the property is improved (50%) or unimproved (20%). (105-277.9 and .9A)
- Property of privately owned water companies is appraised by excluding the portion of capital investment represented by contributions in aid of construction and acquisition. (105-277(h))
- Individually-owned personal property (other than motor vehicles, watercraft and engines, or aircraft) for personal use. (16)
- Intangible personal property, other than leasehold interest in exempt real property. (31)
- Leasehold interest in real property exempt to allow affordable housing for employees of the unit of government that owns the property. (31e)
- Severable development rights when severed and evidence by a recorded deed. (35)
- Property owned by a nonprofit organized upon the request of a local government unit for the sole purpose of financing projects for public use to the extent the property is used for public purposes and leased accordingly. (39)
- Property subject to a capital lease which permits local boards of education to enter into a lease of the property for use as school buildings or facilities. (43)
- Computer software and related documentation other than embedded software or software acquired from a person unrelated to the taxpayer and capitalized on taxpayer's books. (40)
- Vehicles offered at retail for short-term rental by entities in that business. (42)
- Heavy equipment offered at retail for short-term rental by entities in that business and for which a gross receipts tax is imposed. (44)
- Prescription drug samples dispensed by medical practitioners. (44)